
III. FOLLOWUP ON OIG REPORTS

OIG ROLE AND RESPONSIBILITY

The OIG is responsible for maintaining the Department's centralized, computerized followup system that provides for oversight, monitoring, and tracking of all OIG recommendations through both resolution and implementation. Resolution and implementation actions are monitored to ensure that disagreements between OIG and management are resolved as promptly as possible and that corrective actions are implemented as agreed upon by management officials. Disagreements unable to be resolved between OIG and management are decided by the Deputy Secretary, VA's audit followup official.

Management officials are required to provide the OIG with documentation showing the completion of corrective actions, including reporting of collection actions until the amounts due VA are either collected or written off. OIG staff evaluate information submitted by management officials to assess both the adequacy and timeliness of actions and to request periodic updates on an ongoing basis. As of September 30, 1997, the Department had no unresolved internal OIG recommendation and 342 unimplemented internal OIG recommendations.

RESOLUTION OF OIG RECOMMENDATIONS

The Inspector General Act Amendments of 1988 require identification of all significant management decisions with which the Inspector General is in disagreement and all significant and other recommendations unresolved for over 6 months (management decisions not made). We had no Inspector General disagreements on significant management decisions and there were no internal audit recommendations unresolved as of September 30, 1997. External contract report recommendations unresolved for over 6 months are included in Appendix C.

Following on the next pages are tables which provide a summary of the number of OIG reports with potential monetary benefits that were unresolved at the beginning of the period, the number of reports issued and resolved during the period with potential monetary benefits, and the number of reports that remained unresolved at the end of the period.

SUMMARY OF UNRESOLVED AND RESOLVED OIG AUDITS

As required by the IG Act Amendments, Tables 1 through 5 below provide statistical summaries of unresolved and resolved audit reports for the period April 1, 1997 - September 30, 1997. The dollar figures used throughout this report are based on the definitions included in the IG Act Amendments of 1988. The figures are current as of September 30, 1997, and may reflect changes from the data in the individual reports due to OIG validation to ensure compliance with the IG Act Amendments definitions.

TABLE 1 - SUMMARY OF UNRESOLVED AUDIT REPORTS

Table 1 provides a summary of all unresolved audit reports and the length of time they have been unresolved.

| MONTHS | TYPE AUDIT | NUMBER | TOTAL |
|-----------------------|----------------|--------|-------|
| Over 6 Months | Internal Audit | 0 | 21 |
| | Contract Audit | 21 | |
| Less Than 6 Months | Internal Audit | 0 | 33 |
| | Contract Audit | 33 | |
| TOTAL | | | 54 |

Tables 2 through 5 show a total of 45 reports that were unresolved as of September 30, 1997 - no internal audit reports and 45 contract (postaward and preaward) audit reports. This number differs from the 54 reports shown above because the tables include only reports with monetary benefits as required by the IG Act Amendments.

Tables 2 through 5 also provide the reports resolved during the period with the OIG estimates of disallowed costs and funds to be put to better use, including those in which management agreed to implement OIG recommendations and those in which management did not agree to implement OIG recommendations. The Assistant Secretary for Management maintains data on the agreed upon reports and Management estimates of disallowed costs and funds to be put to better use in order to comply with the reporting requirements for the Secretary's Management Report to Congress, required by the IG Act Amendments.

TABLE 2 - RESOLUTION STATUS OF POSTAWARD CONTRACT AUDIT REPORTS

Table 2 summarizes postaward contract audit reports, the dollar value of questioned costs, and the costs disallowed and allowed.

| RESOLUTION STATUS OF POSTAWARD CONTRACT AUDIT REPORTS | NUMBER OF REPORTS | QUESTIONED COSTS (In Millions) |
|--|----------------------|--------------------------------------|
| No management decision by 3/31/97 | 4 | \$ 6.0 |
| Issued during reporting period | 6 | \$ 26.8 |
| Total Inventory This Period | 10 | \$ 32.8 |
| Management decision during reporting period | | |
| Disallowed costs | 6 | \$ 26.2 |
| Allowed costs | 1 | \$ 2.1 |
| Total Management Decisions This Period | 7¹ | \$ 28.3 |
| Total Carried Over to Next Period | 3² | \$ 4.5 |

¹ Of the 7 reports resolved, the contracting officers agreed with the recommended disallowed costs for 6 reports.

² Of the 3 reports carried over, 1 was unresolved for over 6 months as of 9/30/97, with a dollar value of \$1.3 million.

Definitions:

- **Questioned Costs** are contractor or grantee costs OIG recommends be disallowed by the contracting officer, grant official, or other management official. Costs normally result from a finding that expenditures were not made in accordance with applicable laws, regulations, contracts, grants, or other agreements; or a finding that the expenditure of funds for the intended purpose was unnecessary or unreasonable.
- **Disallowed Costs** are costs that contracting officers, grant officials, or management officials have determined should not be charged to the Government and which will be pursued for recovery. Disallowed costs do not necessarily represent the actual amount of money that will be recovered by the Government due to unsuccessful collection actions, appeal decisions, or other similar actions.
- **Allowed Costs** are amounts on which contracting officers, grant officials, or management officials have determined that VA will not pursue recovery of funds.

TABLE 3 - RESOLUTION STATUS OF INTERNAL AUDIT REPORTS WITH QUESTIONED COSTS

Table 3 summarizes internal audit reports, the dollar value of questioned costs, and the costs disallowed and allowed.

| RESOLUTION STATUS OF INTERNAL AUDIT REPORTS | NUMBER OF REPORTS | QUESTIONED COSTS (In Millions) |
|--|------------------------------|---|
| No management decision by 3/31/97 | 0 | \$ 0 |
| Issued during reporting period | 3 | \$ 1.2 |
| Total Inventory This Period | 3 | \$ 1.2 |
| Management decisions during reporting period | | |
| Disallowed costs | 3 | \$ 1.2 |
| Allowed costs | 0 | \$ 0 |
| Total Management Decisions This Period | 3 | \$ 1.2 |
| Total Carried Over to Next Period | 0 | 0 |

Definitions:

- **Questioned Costs for Internal Audit Reports** are amounts paid by VA and unbilled amounts for which the OIG recommends VA pursue collection, including Government property, services or benefits provided to ineligible recipients; recommended collections of money inadvertently or erroneously paid out; and recommended collections or offsets for overcharges or ineligible costs claimed.
- **Disallowed Costs** are costs that management officials have determined should not be charged to the Government or on which management has agreed that VA should bill for property, services, benefits provided, monies erroneously paid out, overcharges, etc. Disallowed costs do not necessarily represent the actual amount of money that will be recovered by the Government due to unsuccessful collection actions, appeal decisions, or other similar actions.
- **Allowed Costs** are amounts on which management officials have determined that VA will not pursue recovery of funds.

TABLE 4 - RESOLUTION STATUS OF INTERNAL AUDIT REPORTS WITH RECOMMENDED FUNDS TO BE PUT TO BETTER USE BY MANAGEMENT

Table 4 summarizes internal audit reports with Recommended Funds to be Put to Better Use.

| RESOLUTION STATUS OF INTERNAL AUDIT REPORTS | NUMBER OF REPORTS | RECOMMENDED FUNDS TO BE PUT TO BETTER USE (In Millions) |
|---|-------------------|---|
| No management decision by 3/31/97 | 0 | \$ 0 |
| Issued during reporting period | 5 | \$ 49.4 |
| Total Inventory This Period | 5 | \$ 49.4 |
| Management decisions during reporting period | | |
| Agreed to by management | 5 | \$ 49.4 |
| Not agreed to by management | 0 | \$ 0 |
| Total Management Decisions This Period | 5 | \$ 49.4 |
| Total Carried Over to Next Period | 0 | \$ 0 |

Definitions:

- **Recommended Better Use of Funds Associated with Internal Audit Reports** represents a quantification of funds that could be used more efficiently if management took actions to complete OIG recommendations pertaining to deobligation of funds, costs not incurred by implementing recommended improvements, and other savings specifically identified in audit reports.
- **Dollar Value of Recommendations Agreed to by Management** provides the OIG estimate of funds that will be used more efficiently based on management's agreement to implement actions.
- **Dollar Value of Recommendations Not Agreed to by Management** is the amount associated with recommendations that management decided will not be implemented.

**TABLE 5 - RESOLUTION STATUS OF PREAWARD CONTRACT AUDIT REPORTS WITH
RECOMMENDED FUNDS TO BE PUT TO BETTER USE BY MANAGEMENT**

Table 5 summarizes preaward contract audit reports with Recommended Funds to be Put to Better Use by management, and the dollar value of recommendations that were agreed to and not agreed to by management.

| RESOLUTION STATUS OF PREAWARD CONTRACT AUDIT REPORTS | NUMBER OF REPORTS | RECOMMENDED FUNDS TO BE PUT TO BETTER USE (In Millions) |
|---|------------------------------|--|
| No management decision by 3/31/97 | 37 ¹ | \$ 52.3 |
| Issued during reporting period | 25 | \$ 72.8 |
| Total Inventory This Period | 62 | \$125.1 |
| Management decisions during reporting period | | |
| Agreed to by management | 13 | \$ 8.7 |
| Not agreed to by management | 7 | \$13.6 |
| Total Management Decisions This Period | 20² | \$22.3 |
| Total Carried Over to Next Period | 42³ | \$102.8 |

¹ The opening inventory does not match the closing inventory as of 3/31/97. One report was cancelled, resulting in a decrease to the number of reports and the associated dollars.

² Of the 20 reports with recommended funds to be put to better use, management fully agreed with the recommended cost reductions for 7 reports, partially agreed with reductions for 6 reports, and did not agree with the cost reductions on 7 reports.

³ Of the 42 reports carried over, a management decision had not been made for over 6 months on 19 reports with a dollar value of \$31.2 million.

Definitions:

- **Recommended Better Use of Funds Associated with Preaward Reviews** of contracts is the sum of the questioned and unsupported costs identified in preaward contract audit reports which the OIG recommends be disallowed in negotiations unless additional evidence supporting the costs is provided. Questioned costs normally result from findings such as a failure to comply with regulations or contract requirements, mathematical errors, duplication of costs, proposal of excessive rates, or differences in accounting methodology. Unsupported costs result from a finding that inadequate documentation exists to enable the auditor to make a determination concerning allowability of costs proposed.

- **Dollar Value of Recommendations Agreed to by Management** is the amount contracting officers disallowed in negotiations, including the amount associated with contracts that were not awarded as a result of audits.

- **Dollar Value of Recommendations Not Agreed to by Management** is the amount of questioned and/or unsupported costs that contracting officers decided to allow.